

DD/S 68-1520

MEMORANDUM FOR: General Counsel

SUBJECT : Incentives/Compensatory Compensation for Early Retirement

1. As you know, we are vitally concerned about the reluctance of employees to retire early (ages 50-60) under the optional provisions of the CIARS or to retire, according to Agency policy, at age 60 if under the Civil Service Retirement System.
2. There is little doubt but that a major deterrent to early retirement under the CIARS is the financial expense and risk assumed by an individual who retires early to seek a second career elsewhere. Notwithstanding a minimum annuity of 40% of high five salary, most such individuals will face a period of unemployment while seeking a new employer and possibly a period of vocational rehabilitation if they enter a field with commission type remuneration. Similarly, in many fields of endeavor, the individual may have to spend many months in school to establish current accreditation for his chosen vocational field.
3. In view of the fact that employment in work qualifying one for the CIARS is very different from occupational pursuits found elsewhere in government and the commercial world, there is strong justification for the government to assist in the vocational rehabilitation of individuals the Agency desires to retire early because the Agency can no longer make effective use of their services. On a case by case basis, I believe you have previously expressed the view that expenditures for salary and educational costs might well be held to be proper expenditures of appropriated funds.
4. Unfortunately specific cases have not yet arisen - probably because no individual is likely to surface his willingness to retire early without advance knowledge that the funds to carry him through a period of vocational rehabilitation will be available.
5. In any event, vocational rehabilitation requiring formal academic training will probably be the exception rather than the rule. Most employees will probably seek direct entry into a new vocational field and their real problem is financial security during the period of job finding and income buildup.

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6. [ ] Office of Personnel, has pointed out that the history of the Agency clearly demonstrates the need to be able to expand its staff quickly in response to unpredictable national emergencies. He suggests that our retirees are the best possible source of manpower for immediate response to such requirements. The Agency has for many years had a "reserve" corps of former employees who have agreed to generally assist the Agency in miscellaneous ways and to serve again in a national emergency.

7. My question is whether the "reserve corps" concept would not provide a completely rational and justifiable basis for the payment of post-retirement compensation to Agency retirees. It would seem to me that this justification would be equally appropriate for both early retirees under the CIARS and age 60 retirees under the Civil Service Retirement System.

8. For illustrative purposes, I am suggesting the following proposal:

Retiring employees under age 61 would be asked to join the CIA active reserve for a period of three years. To be in the active reserve the individual would obligate himself to return to duty if called upon to do so. In return for this commitment, he would receive reserve compensation determined on the following basis.

1st year - <sup>80</sup>~~50~~% of the difference between terminal salary and annuity  
2nd year - <sup>40</sup>~~25~~% of the difference between terminal salary and annuity  
3rd year - <sup>20</sup>~~12.5~~% of the difference between terminal salary and annuity

9. The reducing scale over a short span of three years is logical. The value to the Agency of the services of former employees decreases with the employees' loss of current knowledge about Agency activities. At the same time, it rapidly becomes less likely that the Agency will have a need to recall the reservist. Finally, the reservists' willingness to be recalled will diminish rapidly as he establishes himself in a new vocational field or settles into full retirement.

10. The relationship of reserve compensation to the difference between terminal salary and annuity is both reasonable and consistent with statutes requiring the offset of annuities. Terminal salary is a sound basis on which to evaluate the potential or actual value of a reservist's services or availability to perform services and Federal statutes generally require the offset of Federal annuities against Federal compensation.

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11. Before proceeding further with detailed study of this basis for solving multiple problems of the Agency regarding manpower management, I would appreciate your views as to whether it could be accomplished without legislation. Any other suggestions you may have are, of course, equally desired.



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Special Assistant to the  
Deputy Director for Support  
for Special Studies

cc: ExDir-Compt  
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